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2 January 1959

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# CENTRAL INTELLIGENCE BULLETIN



DOCUMENT NO. 25  
NO CHANGE IN CLASS.

1 DECLASSIFIED

CLASS. CHANGED TO: 1S

NEXT REVIEW DATE: 2010

AUTH: DIA-ZD-2

DATE: 4-4-80

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2010

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State Dept. review completed

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Approved For Release 2002/09/04 : CIA-RDP79T00975A004200250001-7

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## CENTRAL INTELLIGENCE BULLETIN

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### DAILY BRIEF

#### I. THE COMMUNIST BLOC

*No*

USSR: Evidence indicates that Khrushchev's defeated opponents--Malenkov, Molotov, Kaganovich, Shepilov, and Bulganin--are slated for expulsion from the party, but not for imprisonment or execution. Khrushchev's attack at the December plenum of the party central committee appeared to foreshadow some further move against them. The 21st party congress later this month would provide a convenient forum before which to make the announcement.

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*No*

Berlin Situation: In a communication of 27 December, the Soviet commandant in Berlin indicated that the East Germans now are responsible for cases of US military personnel detained in East Berlin. This is a hint that the USSR already may have relinquished to the East Germans an element of its quadripartite responsibilities in the city.

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*10*  
Iran: [The Shah of Iran is considering a plan to purchase a 25-percent interest in the consortium of Western oil companies which operates the country's petroleum industry. He prefers this to a change in the 50/50 profit-sharing formula. Apparently seeking US Government support for his plan, the Shah noted that increased oil revenues would decrease Iran's need for American assistance.]

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[redacted]

*61C*  
Sudan: The prospects are for an economic crisis sometime in March when the Sudan's free currency reserves will have been exhausted. Severe economic dislocations apparently

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DAILY BRIEF

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can be avoided only if substantial balance-of-payments aid or large cotton purchases come from outside sources before mid-March.

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### III. THE WEST

*NO*  
\*The Situation in Cuba (0130 EST, 2 January): The Fidel Castro rebels moved swiftly to consolidate their control of the country after the sudden collapse of the Batista government on 1 January. Santiago, second largest city, fell and the rebels claimed control over the capital of Camaguey Province as well as the important seaport of Cienfuegos. A pro-rebel army officer, Colonel Ramon Barquin, is in control of the armed forces. Fidel Castro's hand-picked choice for the presidency, Manuel Urrutia, is expected in Havana at any moment. The Communists can be expected to exploit the fast-moving situation--perhaps by supporting a general strike--in an effort to gain political freedom and even legality for the party, which was outlawed in 1953 by Batista.

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*OK*  
France: The bold austerity program offers the best prospect since 1945 for stabilizing the French economy, but will nevertheless encounter some political hazards. Socialist opposition to it gives the Communist party new leverage in its constant appeal for working-class "unity of action." Some prominent leaders of the powerful Union for the New Republic, the largest party in the Assembly, have previously opposed austerity measures in the hope of broadening the new party's appeal to labor. They will probably welcome any opportunity to seek relaxation of the program.

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## I. THE COMMUNIST BLOC

Berlin Situation

The Soviet commandant in Berlin notified the US commandant on 27 December that East German police are holding in custody an American soldier who had been found in East Berlin the preceding night. The Soviet note added that "German" authorities had said they would release this man to an American representative.

The US Mission in Berlin points out that this is the first time Soviet authorities have stated that it is necessary to deal with the Germans for the release of Allied military personnel taken into custody in East Berlin. This in effect turns over to East Germany jurisdiction which has been a Soviet responsibility under quadripartite agreements. The same responsibilities do not apply to similar cases in East Germany outside the city itself. American officials note, moreover, that this is the first time a question of military personnel has formed the subject of a communication from the Soviet commandant, such matters having previously been handled on the provost-marshall level.

Moscow also appears to be making preparations to withdraw its headquarters from the Karlshorst compound in East Berlin to some locale outside the city. The number of Soviet personnel at Karlshorst already has been diminished by the withdrawal of Soviet advisers from the East German Army and certain ministries. The post exchange at Karlshorst will be closed down on 1 February 1959, [redacted]

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[redacted] and a Soviet administrative team which has closed down other compounds is being assigned to close out the Karlshorst installation. Outside Berlin, construction of administrative buildings is being rushed in one area, possibly for use of Soviet officials being transferred from Berlin. [redacted]

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Shah of Iran Considering New Oil Policy

[The Shah is considering a plan whereby Iran would purchase a 25-percent interest in the consortium of Western oil companies which operates most of the country's petroleum industry. The consortium, which took over the operation of the Iranian oil industry in 1954 as part of a general settlement following the nationalization of the Anglo-Iranian Oil Company, currently operates under a 50/50 profit-splitting agreement which is scheduled to remain in force until 1994.]

[This new plan, if implemented, technically would not breach the traditional 50/50 formula but would, in effect, give Iran about 62.5 percent of the profits of the consortium's operations. Such a device was used in three concessions recently awarded to American, Canadian, and Italian companies. Since Iran does not have sufficient funds to make the suggested purchase, the Shah probably envisages a loan from the consortium.]

[Apparently seeking US Government support for his plan, the Shah noted that an increase in oil revenues would cause a proportionate decrease in Iran's needs for American economic aid. The Iranian budget for the year beginning 21 March 1959 currently is estimated by Tehran to have a deficit of about \$100,000,000 for which substantial American aid may be requested in addition to the "normal aid program."]

[Unlike the recent agreement in Venezuela, the Iranian-consortium concession agreement apparently prevents a unilateral change in the profit-sharing formula. Despite this legal block, the Shah may decide to press for increased oil revenues by other methods if his suggested purchase plan is proposed and rejected.]

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Sudan Faces Economic Crisis

Both the Sudanese Government and the American Embassy expect a severe economic crisis in the Sudan sometime in March when its free currency reserves will have been exhausted. The deteriorating economic situation, in large part a result of the government's unrealistic cotton marketing policy, now has reached a point where Khartoum cannot solve the problem without assistance. In this atmosphere of economic crisis, the Sudanese Supreme Council apparently is moving into a decisive phase of its foreign relations. The Sudan's longer-term policy may be decisively influenced by whether increased economic aid comes from Western or Sino-Soviet bloc sources.

Thus far the Sudan has not concluded large barter deals with the Sino-Soviet bloc, but the present 230,000-bale surplus of long-staple cotton and the prospect of an additional 620,000 bales from the near-record crop now being harvested probably will make Khartoum receptive to a Soviet offer of a large barter deal. A high-level economic delegation expected to arrive in the near future may bring an offer of substantial assistance not only for the immediate crisis but for long-term development projects as well. [Redacted]

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[Redacted]

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[Redacted]

### III. THE WEST

#### The Situation in Cuba (0130 EST, 2 January)

Following the sudden collapse of the Batista regime in Cuba on 1 January, the Castro rebel movement moved quickly to seize control of the country. Fidel Castro declared he would not accept an army-backed provisional government and threatened to call a general strike unless Manuel Urrutia, his personal choice for president who is en route to Havana, is given power. A walkout has paralyzed air service to and from Havana, and there are indications a general strike might be spreading in the western provinces.

Col. Ramon Barquin, a former military attaché in Washington who had been in prison since leading an unsuccessful military coup against Batista in 1956, announced that he has assumed control of the armed forces in Havana.

Rebel units have stepped up their efforts to seize key cities in the three eastern provinces. On 1 January they captured Santiago, Cuba's second largest city and capital of Oriente Province, and claimed control over the capital of Camaguey Province and the important seaport of Cienfuegos in Las Villas Province. Rebel columns were also reported to be marching toward Havana, where Castro sympathizers were attempting to restore order as rioters roamed the streets looting and burning.

Several Cuban embassies abroad have jumped on the Castro bandwagon. The chiefs of mission in Bonn, Paris, and Rio de Janeiro announced support for a rebel government, and exiles took control of the embassies in Washington, Mexico City, and Montevideo.

The outlawed Popular Socialist (Communist) party (PSP) may now increase its efforts to ally itself with the rebel cause

in an attempt to gain political advantages or recognition under a new government. On 2 January the Communist chief announced support of the rebel movement and called for a "united front." Although the PSP has been rebuffed in numerous previous attempts, it has given strong propaganda to the rebellion and has offered to cooperate in any general strike.

Communist sympathizers are believed to have penetrated the rebel movement on a low level, and the anti-American sentiments held by some rebels--particularly within the group commanded by Raul Castro--could well be exploited to the Communists' advantage. [redacted]

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[redacted]  
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[redacted]  
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New French Austerity Program Faces Political Complications

The broad new economic program announced by Premier de Gaulle and Finance Minister Pinay on 28 December offers the best prospect since 1945 for a stabilized French economy. For the time being, at least, France probably has the capability to support both a stabilization program and the current drain of resources in Algeria.

The austerity program is already under attack by the official Socialist party newspaper as well as by the Communist party. This situation gives the Communists their best opportunity since De Gaulle came to power to seek working-class "unity of action." Socialist leader Guy Mollet now may find his self-assigned role of leader of the "loyal opposition" to the new government complicated by Communist success in seeking "unity from below." Although the Popular Republican party is expected to support the austerity program, MRP leader Pierre Pflimlin is reported particularly apprehensive over its impact on peasants and labor. Both of the major non-Communist labor unions--the Socialist-oriented Force Ouvriere and the MRP-oriented Christian Workers' Confederation--had repudiated austerity programs in advance although they do not intend to attempt protest strikes.

While a spokesman for the "Gaullist" Union for the New Republic (UNR), which is by far the largest group in the Assembly, has announced full support for the new program, some UNR leaders have previously opposed austerity measures. Michelet, Debre, and Frey, for example, hope to win broad labor support partly through a policy of economic expansion. Such men will probably seize any opportunity to seek relaxation of those portions of the new program which appear objectionable to labor.

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